

H.R. 4411: The Internet Gambling Prohibition and Enforcement Act

Goodlatte-Leach legislation to combat Internet gambling

The illegal Internet gambling business is booming and the consequences of this unfettered illegal activity are profound. Americans will send \$5.9 *billion* to unregulated, offshore, online casinos this year, nearly half of the \$12 *billion* bet worldwide on Internet gambling. FBI and Justice Department experts have warned that Internet gambling sites are often fronts for money laundering, drug trafficking and even terrorist financing. Further, these sites evade rigorous U.S.-based regulations that control gambling by minors and problem gamblers, and ensure the integrity of the games. Young people are particularly at risk.

Internet gambling's characteristics are unique: online players can gamble 24 hours a day from home; children may play without sufficient age verification; and betting with a credit card can undercut a player's perception of the value of cash, leading to addiction, bankruptcy and crime. Because these businesses are located overseas, they usually evade Federal or State law enforcement. Easy access to them and lack of law enforcement give the U.S. public a misimpression that Internet gambling is legal. The result is widespread gambling by minors and young adults, and addiction-forming behavior by gamblers of all ages.

H.R. 4411 addresses the problem of Internet gambling in four ways:

1. It *clarifies the Wire Act*, a 1961 statute that made it a Federal felony for gambling businesses to use wire communication facilities to transmit bets or wagers, or related money, in interstate or foreign commerce. The Wire Act did not contemplate the Internet or wireless communication devices and is ambiguous as to whether it applies to only sports-related gambling or all forms of gambling. The bill updates the Wire Act to clarify that it covers all types of gambling and all types of "communication facilities." H.R. 4411 also increases the maximum penalty for violations of the Wire Act from two to five years in prison, and explicitly preserves the right of States to regulate gambling that occurs solely within State borders.
2. The bill *cuts off the flow of money to Internet gambling websites* by regulating payment systems. The Department of Treasury and the Federal Reserve will jointly develop policies and procedures for identifying and preventing financial transactions related to illegal Internet gambling. Payment systems will be required to comply with these regulations. Even when criminal law cannot be enforced, the Federal government's jurisdiction over financial systems can nevertheless cut off the money sources for these illegal businesses.
3. The bill authorizes State and Federal law enforcement to *seek injunctions against persons who facilitate illegal Internet gambling*, even when that person is not criminally liable. For instance, websites or brick-and-mortar businesses providing advertising space to illegal offshore gambling businesses can be enjoined to remove the advertisements.
4. When deliberating with foreign governments, the U.S. government is exhorted to *advance international cooperation* in law enforcement efforts against illegal gambling and related money laundering. The Secretary of the Treasury will report to Congress about these efforts.

For more information on H.R. 4411, please contact Branden Ritchie in Congressman Goodlatte's office at 5-5431 or Michael Borden in Congressman Leach's office at 5-6576.